

Message Text

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FM AMEMBASSY NEW DELHI

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PASS EXPORT-IMPORT BANK

E.O. 11652: N/A

TAGS: EAIR, IN

SUBJ: AIRCRAFT SALES

REF: (A) NEW DELHI 1254 (B) NEW DELHI 1334 (C) STATE 21613

1. SALES REPRESENTATIVES OF BOTH LOCKHEED AND BOEING ARE PRESENTLY IN INDIA. BOEING IS PRIMARILY TRYING TO WRAP UP SALES OF TWO 737S TO SUPPLEMENT EXISTING INDIAN AIRLINES BOEING FLEET. (IT IS ALSO TRYING TO CONVINCE INDIA TO DELAY DECISION ON WIDE-BODIED AIRPLANES UNTIL IT CAN MAKE ITS PRESENTATION ON NEW VERSION OF 727). LOCKHEED, ON THE OTHER HAND, IS TRYING FOR IMMEDIATE SALES OF L-1011S AND SAYS THERE IS BUREAUCRATIC PRESSURE WITHIN THE GOI FOR A DECISION BY LATE NEXT MONTH.

2. BOTH SALES TEAMS REPORT GOOD RECEPTION BY INDIAN AIRLINES FOR THEIR AIRPLANES. LOCKHEED REPRESENTATIVE SAYS THAT INDIAN AIRLINES OFFICIALS ARE NOT CONCERNED WITH SLIGHT DIFFERENCE IN PRICE BETWEEN A-300 AIRBUS AND LOCKHEED'S AIRPLANE (APPROXIMATELY \$22 MILLION VERSUS \$24 MILLION). ALTHOUGH IT IS OBVIOUS THAT THE BOEING PEOPLE HAVE NOT TALKED WITH THE LOCKHEED PEOPLE (AT LEAST NOT HERE), NEVERTHELESS, BOTH COMPANIES TELL US IDENTICAL STORIES ABOUT THEIR CURRENT SALES DIFFICULTIES, AND IT IS A FAMILIAR ONE: FINANCING. BOTH SAY THAT AIRBUS COMPANY HAS OFFERED TERMS INVOLVING INTEREST RATE OF ABOUT 8.5 PERCENT

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(ACCORDING TO LOCKHEED IT WORKS OUT TO 8.65 PERCENT). BOTH SAY

THAT THE EXIM FINANCING PACKAGE COMPOSES OF 10 PERCENT DOWN, 40 PERCENT EXIM LOAN AT 8 PERCENT PLAN A FEE, AND 50 PERCENT ON COMMERCIAL BANK TERMS WOULD LEAVE THEM OUT OF THE RUNNING. NOT ONLY DOES THE INTEREST DIFFERENTIAL BECOME PROHIBITIVE, BUT THEY ARE ALSO HAVING DIFFICULTY GETTING FINANCING PACKAGES WITH US BANKS TO COVER THE 50 PERCENT. (THIS LATTER CONSIDERATION LED TO QUERY IN REFTEL A). SECOND EXIM PACKAGE INVOLVING 10 PERCENT DOWN, 30 PERCENT EXIM MONEY, 30 PERCENT EXIM-GUARANTEED BANK LOAN AND 30 PERCENT ON COMMERCIAL TERMS BRINGS THEM CLOSER TO THE AIRBUS TERMS, BUT THEY FEEL NOT QUITE CLOSE ENOUGH. BOTH BOEING AND LOCKHEED REPRESENTATIVES INDEPENDENTLY PROPOSED THAT IF EXIM COULD BE PERSUADED TO RETURN TO PREVIOUS 40 PERCENT, 30 PERCENT, 20 PERCENT PACKAGE, (INSTEAD OF 30, 30, 30) THEY WOULD BECOME COMPETITIVE IN INDIA. WE TOLD THEM WE UNDERSTOOD THEIR PROBLEM AND PROMISED TO PASS WHAT THEY SAID ALONG.

COMMENT: WE HOPE THAT CONSIDERATION CAN BE GIVEN TO IMPROVEMENT OF FINANCING AIRCRAFT SALES IN INDIA. IT IS AN IMPORTANT MARKET, AND IT WOULD BE A SHAME TO LOSE IT, WE CONTINUE TO BELIEVE INDIA IS A GOOD COMMERCIAL CREDIT RISK.
SCHNEIDER

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